



Housing Alternatives

Standard 10

The student will explain and compare the responsibilities of renting versus buying a home.

Lesson Objectives

- Identify various housing alternatives.
- Determine local housing options, both renting and buying.

Personal Financial Literacy Vocabulary

Apartment: A room or suite of rooms designed as a residence and generally located in a building occupied by more than one household.

Condominium: A building or complex in which units of property, such as apartments, are owned by individuals and common parts of the property, such as the grounds and building structure, are owned jointly by the unit owners.

House: A structure serving as a dwelling for one or more persons, especially for a family.

Introduction

Emilio and Justine are planning to get married as soon as they graduate from high school. They want to live in the city near a bus route so they can commute back and forth to work using the monthly pass paid for by their employers.

Emilio loves to be outdoors. He enjoys swimming, tennis, basketball, and other sporting activities. He thinks they should rent a nice apartment that has a workout room, a pool, and other activities available.

Justine has always lived in a house and wants to rent a small house. She thinks it would be fun to have a yard so they can get a dog and have parties on their patio.

Emilio and Justine have different priorities for finding a place to live.

What would you recommend they do?

Lesson

Do you want the excitement of living in a big city? Or do you prefer the quiet and solitude of living in the country? Are you more interested in having a place to hang out with your friends? Or, are you more concerned about finding a small, affordable safe place to sleep because you do not like staying at home? Whatever your answer to these questions, they are factors to consider when looking for a place to live.

Finding the right “home” is one the most significant financial decisions you will make because it will help determine what kind of life you will live and how you will live it. While owning a house is often called “the American Dream”, it does not mean that homeownership is always the best solution to finding a place to live. The best alternative is to find a place that is both affordable and appropriate for your personal lifestyle.

In most cases, you will have many housing options from which to choose. Sometimes, the number of options may even seem overwhelming! Just keep in mind, finding a place to live is a financial decision – not an emotional decision. Finding a place that meets your budget will help keep you happy while meeting your monthly financial obligations, so be careful about the temptation of thinking “it’s only a little bit more”. That “little bit more” can quickly turn into a financial nightmare.

It is important to consider what type of housing is best for you at the time you are making the decision, realizing that you have different needs at different points in your life. Listing your priorities will help ensure you are making the best choice. For example, is it more important to have two bedrooms or live close to work?

Following are several criteria to consider when listing your priorities:

- Location (close to work, in the country, near friends, etc.).
- Space issues (number of bedrooms, size of the kitchen or living room, closet space, etc.).
- Amenities (swimming pool, washer and dryer, townhouse or flat, etc.).
- Safety (outside lighting, deadbolt locks, etc.).
- How long you plan to live there (is it temporary or for several years?).
- Other things you want or need.

Different Options

Once you have prioritized your wants and needs, you may want consider the various options available in the area. These include renting a place to live in an apartment complex, a condominium unit, or a neighborhood. Or, you may be in a financial situation where buying a house is the best option. Understanding the costs and benefits of each option will help you make an informed decision about where to live.

Renting. Renting is often the least expensive housing option and the easiest for your budget to handle because you tend to have a set monthly expense, minimal maintenance responsibilities, and the ability to relocate relatively easily when your lease expires. If you are unsure of your plans, renting or leasing is a great option.

When renting, you enter into a legal contract called a lease with your landlord for a defined period of time—generally six months to one year. In some cases, you may even be able to get a month-to-month lease if you need more flexibility. However, a month-to-month lease tends to be more expensive and the landlord may have the opportunity to terminate your agreement before you are ready to move.

Apartment complexes generally offer more amenities than other rental options, and their cost is usually included in your monthly rent. Some of these extra benefits are workout rooms, swimming pools, laundry facilities, designated or covered parking spaces, and community clubhouses. Sometimes even utilities, cable television, and Internet access are included in the monthly rent. It always best to ask what is included in your rent before signing a lease because terms will vary significantly from one apartment complex to another.

While apartments offer a great deal of flexibility in price and amenities, the opportunity cost is a lack of privacy.

Condominiums (Condo). Condominiums and cooperatives generally offer similar amenities to apartment complexes. The main difference is that condo and coop

dwellers generally “own” their units; however, some owners buy condo units and lease them to people who prefer renting instead of owning.

Because condo owners share common areas, each unit owner shares the cost of maintaining these areas by paying monthly fees called homeowner association fees. Some of the shared expenses include landscaping, street maintenance, swimming pools, and tennis courts. Unit owners usually form a board to manage the common areas, set fees, and make other decisions regarding the complex.

One of the advantages of condos and other cooperatives is the limited responsibility for outside maintenance. Most units have a small courtyard or patio space requiring minimal upkeep. One of the disadvantages may be shared space with others in a lifestyle similar to an apartment. You may also be somewhat limited in what you can do with your condo, depending upon the requirements of the homeowner’s association.

Houses. Houses offer the widest variety of living options and remain the preferred housing choice for most people, regardless of age or income. While most people living in houses own their own homes, many others rent houses just as they would rent an apartment or condo.

You can find houses of almost all sizes and price ranges. In addition, you can consider buying an older house in a well-established neighborhood or in a new suburban housing addition. Or, you may want a “fixer upper” that needs minor repairs or major renovations.

Homeowner associations are becoming increasingly popular to support amenities that are available only to people who live in the neighborhood; and the number of “gated communities” is growing in major metropolitan areas. For safety purposes, gated communities have controlled entrances allowing only people who live there or their guests to enter. The more extras you have available, the more you can expect to pay for living in those neighborhoods.

While owning a home offers independence and flexibility, it also requires you to make a rather substantial investment or commitment. Most people who buy a home will need to secure a loan, which means you need to have a good credit history or someone who has a good credit history to co-sign for you. When buying a home, you will need to have a down payment (generally 10% percent of the sales price) at the time of purchase. Your monthly payment will include the loan payment, insurance, and property taxes. In addition, you need to establish a monthly maintenance fund to pay for the normal upkeep on your home as well as any emergency expenses (new hot water heater, new heating or cooling system, plumbing problems, etc.). And, you will be responsible for all of the outside maintenance including yard work and landscaping.

Conclusion

As you can see, finding a place to live is more than looking for a cool place with your friends. The amount you pay for housing will be one of the largest, if not THE largest, expense you have each month. Before deciding where to live, it can be helpful to separate the financial criteria from the emotion criteria to ensure you are making the best decision about a place that best suits your lifestyle and your needs.

FINAL NOTE: Emilio and Justine need to carefully consider what they want as a couple, not just individually, and how much they can afford to pay for a place to live. They should start by writing down their two alternatives and then weighing the costs and benefits of each alternative. While renting a house may not have the sports facilities Emilio wants, there may be a park or gym nearby where he can exercise. And, even though an apartment may not have a yard, they may find one with a patio area or a clubhouse where they can entertain friends. Understanding all of the potential costs will help them make a better decision about an affordable place to live as they start their lives together.

REMINDER

Purchasing a home will be one of the most significant things in your life. So make sure you are financially prepared to make the purchase of a home.

This lesson was written and created by Oklahoma educators in partnership with



Name: _____ Class Period: _____

What Is Your Housing Choice? Activity 10A

Use the information presented in this lesson to determine what housing choice might be best for you. After completing this activity, return it to your teacher.

1. Following are the six housing criteria listed in the lesson. In the space below, rank them from 1 to 6, with 1 being your first priority and 6 being the least important.

- Location (close to work, in the country, near friends, etc.).
- Space issues (number of bedrooms, size of the kitchen or living room, closet space, etc.).
- Amenities (swimming pool, washer and dryer, townhouse or flat, etc.).
- Safety (outside lighting, deadbolt locks, etc.).
- How long you plan to live there (is it temporary or for several years?).
- Other things you want or need.

Priority 1:

Priority 2:

Priority 3:

Priority 4:

Priority 5:

Priority 6:

2. Based on your priorities, circle the housing option that would be best for you.

APARTMENT

CONDO

HOUSE

3. Briefly explain the reason for your order of priorities and your choice of housing options.

Name: _____ Class Period: _____

Housing Choices Activity 10B

Use your knowledge of housing options to determine appropriate housing choices in the following situations. To complete the activity, circle the best answer and explain your response.

1. Inez and Omar have two young children. Inez is a stay at-home mom and Omar works for a computer software company. They want to find a larger place to live where the children will have room to play. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

2. Herman is a single father. He works long hours and he wants to move closer to his mother's house so she can help care for the children. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

3. Gina is a single, young professional. She enjoys playing golf and dining out with friends. Her job requires her to travel frequently and she anticipates a move to another city in the next year. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

4. Jessie and Sherman live an active life. They like to entertain and spend time with family. While they enjoy owning their home, it has become too large. They would like a place with less maintenance. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

5. Marta has been retired for a number of years. She lives alone on a limited income. Her family lives in another state, and she has decided to move closer to them. She wants a small place that she can manage on her own. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

6. Josh just graduated from high school and he plans to go to college in his hometown. Instead of living at home or in the dorm, he plans to move in with one of his buddies. Both have part-time jobs but limited savings. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____

7. Josie has a great job as an architect and loves to spend time at home. She has started a retirement account at work and contributes monthly to her savings account. She wants a place to show off her decorating skills. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____
